

## **EXHIBIT 1**

### **INTRODUCTION**

Mattel, Inc. (“Mattel”) is a toy manufacturer headquartered in the City of El Segundo, which is located in the County of Los Angeles. From 1997 through 2000, a Mattel executive, Fermin Cuza, with the assistance of a political consultant, Respondent Alan Schwartz, made contributions to various candidates on behalf of Mattel, without disclosing that Mattel was the true source of the contributions.

Making a contribution to a candidate on behalf of another, without revealing the true source of the funds, undermines the campaign disclosure provisions of the Political Reform Act (the “Act”),<sup>1</sup> as it denies the public of information about the candidate’s financial support.

For the purposes of this Stipulation, Respondent’s violations of the Act are stated as follows:

COUNT 1: On or about August 21, 1997, Respondent Alan Schwartz aided and abetted the making of a \$250 contribution on behalf of Mattel, Inc., to Bill Lockyer, as a candidate for Attorney General in the June 2, 1998 primary election, without disclosing the true source of the contribution, in violation of Section 84302.

COUNT 2: On or about September 18, 1997, Respondent Alan Schwartz aided and abetted the making of a \$250 contribution on behalf of Mattel, Inc., to Tim Leslie, as a candidate for Lieutenant Governor in the June 2, 1998 primary election, without disclosing the true source of the contribution, in violation of Section 84302.

COUNT 3: On or about September 25, 1997, Respondent Alan Schwartz aided and abetted the making of a \$100 contribution on behalf of Mattel, Inc., to Larry Guidi, as an incumbent candidate for Mayor of the City of Hawthorne in the November 4, 1997 general municipal election, without disclosing the true source of the contribution, in violation of Section 84302.

COUNT 4: On or about November 6, 1997, Respondent Alan Schwartz aided and abetted the making of a \$1,000 contribution on behalf of Mattel, Inc., to Gray Davis, as a candidate for Governor in the June 2, 1998 primary election, without disclosing the true source of the contribution, in violation of Section 84302.

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<sup>1</sup> The Political Reform Act is contained in Government Code sections 81000 through 91014. All statutory references are to the Government Code unless otherwise indicated. The regulations of the Fair Political Practices Commission appear at California Code of Regulations, title 2, section 18109 through 18996. All regulatory references are to Title 2 of the California Code of Regulations.

- COUNT 5: On or about November 6, 1997, Respondent Alan Schwartz aided and abetted the making of a \$250 contribution on behalf of Mattel, Inc., to George Nakano, as a candidate for the State Assembly in the June 2, 1998 primary election, without disclosing the true source of the contribution, in violation of Section 84302.
- COUNT 6: On or about December 3, 1997, Respondent Alan Schwartz aided and abetted the making of a \$500 contribution on behalf of Mattel, Inc., to Johan Klehs, as a candidate for the Board of Equalization in the June 2, 1998 primary election, without disclosing the true source of the contribution, in violation of Section 84302.
- COUNT 7: On or about January 15, 1998, Respondent Alan Schwartz aided and abetted the making of a \$500 contribution on behalf of Mattel, Inc., to Debra Bowen, as a candidate for the State Senate in the June 2, 1998 primary election, without disclosing the true source of the contribution, in violation of Section 84302.
- COUNT 8: On or about January 19, 1998, Respondent Alan Schwartz aided and abetted the making of a \$250 contribution on behalf of Mattel, Inc., to Mark Wirth, as a candidate for the State Assembly in the June 2, 1998 primary election, without disclosing the true source of the contribution, in violation of Section 84302.
- COUNT 9: On or about March 20, 1998, Respondent Alan Schwartz aided and abetted the making of a \$100 contribution on behalf of Mattel, Inc., to John Chiang, as a candidate for the Board of Equalization in the June 2, 1998 primary election, without disclosing the true source of the contribution, in violation of Section 84302.
- COUNT 10: On or about April 23, 1998, Respondent Alan Schwartz aided and abetted the making of a \$500 contribution on behalf of Mattel, Inc., to John Latimer, as a candidate for the State Assembly in the June 2, 1998 primary election, without disclosing the true source of the contribution, in violation of Section 84302.
- COUNT 11: On or about April 23, 1998, Respondent Alan Schwartz aided and abetted the making of a \$500 contribution on behalf of Mattel, Inc., to Albert Martinez, as a candidate for the State Assembly in the June 2, 1998 primary election, without disclosing the true source of the contribution, in violation of Section 84302.

- COUNT 12: On or about April 23, 1998, Respondent Alan Schwartz aided and abetted the making of a \$1,000 contribution on behalf of Mattel, Inc., to Gloria Romero, as a candidate for the State Assembly in the June 2, 1998 primary election, without disclosing the true source of the contribution, in violation of Section 84302.
- COUNT 13: On or about April 23, 1998, Respondent Alan Schwartz aided and abetted the making of a \$500 contribution on behalf of Mattel, Inc., to Hannah-Beth Jackson, as a candidate for the State Assembly in the June 2, 1998 primary election, without disclosing the true source of the contribution, in violation of Section 84302.
- COUNT 14: On or about May 11, 1998, Respondent Alan Schwartz aided and abetted the making of a \$250 contribution on behalf of Mattel, Inc., to Haydee Tillotson, as a candidate for the State Assembly in the June 2, 1998 primary election, without disclosing the true source of the contribution, in violation of Section 84302.
- COUNT 15: On or about July 7, 1998, Respondent Alan Schwartz aided and abetted the making of a \$500 contribution on behalf of Mattel, Inc., to Debra Bowen, as a candidate for the State Senate in the November 3, 1998 general election, without disclosing the true source of the contribution, in violation of Section 84302.
- COUNT 16: On or about October 1, 1998, Respondent Alan Schwartz aided and abetted the making of a \$100 contribution on behalf of Mattel, Inc., to Don Knabe, as a member of the Los Angeles County Board of Supervisors, without disclosing the true source of the contribution, in violation of Section 84302.
- COUNT 17: On or about April 5, 1999, Respondent Alan Schwartz aided and abetted the making of a \$250 contribution on behalf of Mattel, Inc., to Nick Pacheco, as a candidate for the Los Angeles City Council in the April 13, 1999 primary municipal election, without disclosing the true source of the contribution, in violation of Section 84302.
- COUNT 18: On or about May 26, 1999, Respondent Alan Schwartz aided and abetted the making of a \$500 contribution on behalf of Mattel, Inc., to Nick Pacheco, as a candidate for the Los Angeles City Council in the June 8, 1999 general municipal election, in violation of Section 84302.
- COUNT 19: On or about June 7, 1999, Respondent Alan Schwartz aided and abetted the making of a \$500 contribution on behalf of Mattel, Inc., to Nick Pacheco, as a candidate for the Los Angeles City Council in the June 8, 1999 general municipal election, without disclosing the true source of the contribution, in violation of Section 84302.

- COUNT 20: On or about June 21, 1999, Respondent Alan Schwartz aided and abetted the making of a \$500 contribution on behalf of Mattel, Inc., to George Nakano, as a candidate for the State Assembly in the March 7, 2000 primary election, without disclosing the true source of the contribution, in violation of Section 84302.
- COUNT 21: On or about September 1, 1999, Respondent Alan Schwartz aided and abetted the making of a \$1,000 contribution on behalf of Mattel, Inc., to Betty Karnette, as a candidate for the State Senate in the March 7, 2000 primary election, without disclosing the true source of the contribution, in violation of Section 84302.
- COUNT 22: On or about November 17, 1999, Respondent Alan Schwartz aided and abetted the making of a \$1,000 contribution on behalf of Mattel, Inc., to George Nakano, as a candidate for the State Assembly in the March 7, 2000 primary election, without disclosing the true source of the contribution, in violation of Section 84302.
- COUNT 23: On or about December 13, 1999, Respondent Alan Schwartz aided and abetted the making of a \$250 contribution on behalf of Mattel, Inc., to Yvonne Burke, as a member of the Los Angeles County Board of Supervisors, without disclosing the true source of the contribution, in violation of Section 84302.
- COUNT 24: On or about February 15, 2000, Respondent Alan Schwartz aided and abetted the making of a \$1,000 contribution on behalf of Mattel, Inc., to Antonio Villaraigosa, as a candidate for Mayor of Los Angeles in the April 10, 2001 primary municipal election, without disclosing the true source of the contribution, in violation of Section 84302.
- COUNT 25: On or about June 13, 2000, Respondent Alan Schwartz aided and abetted the making of a \$1,000 contribution on behalf of Mattel, Inc., to Rocky Delgadillo, as a candidate for City Attorney of Los Angeles in the April 10, 2001 primary municipal election, without disclosing the true source of the contribution, in violation of Section 84302.
- COUNT 26: On or about June 14, 2000, Respondent Alan Schwartz aided and abetted the making of a \$1,000 contribution on behalf of Mattel, Inc., to Rocky Delgadillo, as a candidate for City Attorney of Los Angeles in the April 10, 2001 primary municipal election, without disclosing the true source of the contribution, in violation of Section 84302.

COUNT 27: On or about June 26, 2000, Respondent Alan Schwartz aided and abetted the making of a \$500 contribution on behalf of Mattel, Inc., to Xavier Becerra, as a candidate for Mayor of Los Angeles in the April 10, 2001 primary municipal election, without disclosing the true source of the contribution, in violation of Section 84302.

COUNT 28: On or about June 26, 2000, Respondent Alan Schwartz aided and abetted the making of a \$1,000 contribution on behalf of Mattel, Inc., to Xavier Becerra, as a candidate for Mayor of Los Angeles in the April 10, 2001 primary municipal election, without disclosing the true source of the contribution, in violation of Section 84302.

COUNT 29: On or about June 26, 2000, Respondent Alan Schwartz aided and abetted the making of a \$1,000 contribution on behalf of Mattel, Inc., to Xavier Becerra, as a candidate for Mayor of Los Angeles in the April 10, 2001 primary municipal election, without disclosing the true source of the contribution, in violation of Section 84302.

COUNT 30: On or about July 10, 2000, Respondent Alan Schwartz aided and abetted the making of a \$4,799 contribution on behalf of Mattel, Inc., to the Democratic National Committee Non-Federal Corporate, without disclosing the true source of the contribution, in violation of Section 84302.

### **SUMMARY OF THE LAW**

An express purpose of the Act, as set forth in Section 81002, subdivision (a), is to ensure that receipts and expenditures in election campaigns are fully and truthfully disclosed, so that voters may be fully informed, and improper practices may be inhibited. In furtherance of this purpose, Section 84302 provides that no person shall make a contribution on behalf of another, or while acting as an intermediary or an agent of another, without disclosing to the recipient the true source of the contribution.

Section 83116.5 states, in part, that any person who is compensated for services involving the planning, organizing, or directing of any activity regulated by the Act, and who aids and abets any other person in the violation of any provision of the act is also liable for the violation.

### **SUMMARY OF THE FACTS**

In 1996, Mattel contracted with Respondent Alan Schwartz (“Schwartz”) for international trade and political consulting services. To receive payment for his services, Respondent Schwartz, through his business, AMS Consulting, submitted periodic invoices to Mattel. As a consultant, Respondent Schwartz worked under the direction of Fermin Cuza. Fermin Cuza was a senior vice president at Mattel, and the head of Mattel’s Governmental Affairs program.

In February 2001, an employee of Mattel discovered that Fermin Cuza was improperly spending funds from Mattel's customs budget to make political contributions on behalf of Mattel through third parties. At the direction of Fermin Cuza, Respondent Schwartz and other third parties made contributions to various candidates using Mattel funds, without disclosing that Mattel was the true source of the contributions. Respondent Schwartz aided and abetted Fermin Cuza in making the contributions by reimbursing himself and other third party intermediaries through the invoices that he submitted to Mattel.

The following table lists the contributions that were made by Fermin Cuza on behalf of Mattel through Respondent Schwartz, and third party intermediaries closely related to Respondent Schwartz, for which Respondent Schwartz provided reimbursement:

| <b>Count</b> | <b>Date</b> | <b>Contributor Disclosed</b> | <b>Recipient of Contribution</b>                          | <b>Election Date</b> | <b>Amount</b> |
|--------------|-------------|------------------------------|---|----------------------|---------------|
| 1            | 08/21/97    | Alan Schwartz                | Bill Lockyer, Candidate for Attorney General              | 06/02/98             | \$250         |
| 2            | 09/18/97    | Alan Schwartz                | Tim Leslie, Candidate for Lieutenant Governor             | 06/02/98             | \$250         |
| 3            | 09/25/97    | Alan Schwartz                | Larry Guidi, Candidate for Mayor of the City of Hawthorne | 11/04/97             | \$100         |
| 4            | 11/06/97    | Alan Schwartz                | Gray Davis, Candidate for Governor                        | 06/02/98             | \$1,000       |
| 5            | 11/06/97    | Alan Schwartz                | George Nakano, Candidate for State Assembly               | 06/02/98             | \$250         |
| 6            | 12/03/97    | Alan Schwartz                | Johan Klehs, Candidate for Board of Equalization          | 06/02/98             | \$500         |
| 7            | 01/15/98    | Alan Schwartz                | Debra Bowen, Candidate for State Senate                   | 06/02/98             | \$500         |
| 8            | 01/19/98    | Alan Schwartz                | Mark Wirth, Candidate for State Assembly                  | 06/02/98             | \$250         |
| 9            | 03/20/98    | Alan Schwartz                | John Chiang, Candidate for the Board of Equalization      | 06/02/98             | \$100         |
| 10           | 04/23/98    | Alan Schwartz                | John Latimer, Candidate for State Assembly                | 06/02/98             | \$500         |
| 11           | 04/23/98    | Alan Schwartz                | Albert Martinez, Candidate for State Assembly             | 06/02/98             | \$500         |
| 12           | 04/23/98    | Alan Schwartz                | Gloria Romero, Candidate for State Assembly               | 06/02/98             | \$1,000       |
| 13           | 04/23/98    | Alan Schwartz                | Hannah-Beth Jackson, Candidate for State Assembly         | 06/02/98             | \$500         |
| 14           | 05/11/98    | Alan Schwartz                | Haydee Tillotson, Candidate for State Assembly            | 06/02/98             | \$250         |

|              |          |                    |  |          |                    |
|--------------|----------|--------------------|--|----------|--------------------|
| 15           | 07/07/98 | AMS Consulting     | Debra Bowen, Candidate for State Senate                  | 11/03/98 | \$500              |
| 16           | 10/01/98 | AMS Consulting     | Don Knabe, Los Angeles County Board of Supervisors       | 03/07/00 | \$100              |
| 17           | 04/06/99 | AMS Consulting     | Don Knabe, Los Angeles County Board of Supervisors       | 03/07/00 | \$500              |
| 18           | 05/26/99 | AMS Consulting     | Nick Pacheco, Candidate for the Los Angeles City Council | 06/08/99 | \$500              |
| 19           | 06/07/99 | Sheryl Green       | Nick Pacheco, Candidate for the Los Angeles City Council | 06/08/99 | \$500              |
| 20           | 06/21/99 | AMS Consulting     | George Nakano, Candidate for the State Assembly          | 03/07/00 | \$500              |
| 21           | 09/01/99 | AMS Consulting     | Betty Karnette, Candidate for State Senate               | 03/07/00 | \$1,000            |
| 22           | 11/17/99 | AMS Consulting     | George Nakano, Candidate of State Assembly               | 03/07/00 | \$1,000            |
| 23           | 12/13/99 | AMS Consulting     | Yvonne Burke, Los Angeles County Board of Supervisors    | 03/07/00 | \$250              |
| 24           | 02/15/00 | AMS Consulting     | Antonio Villaraigosa, Candidate for Mayor of Los Angeles | 04/10/01 | \$1,000            |
| 25           | 06/13/00 | Alan Schwartz      | Rocky Delgadillo, Candidate of Los Angeles City Attorney | 04/10/01 | \$1,000            |
| 26           | 06/14/00 | Anthony Willoughby | Rocky Delgadillo, Candidate of Los Angeles City Attorney | 04/10/01 | \$1,000            |
| 27           | 06/26/00 | AMS Consulting     | Xavier Becerra, Candidate for Mayor of Los Angeles       | 04/10/01 | \$500              |
| 28           | 06/26/00 | John Balestra      | Xavier Becerra, Candidate for Mayor of Los Angeles       | 04/10/01 | \$1,000            |
| 29           | 06/26/00 | Gloria Zwinek      | Xavier Becerra, Candidate for Mayor of Los Angeles       | 04/10/01 | \$1,000            |
| 30           | 07/10/00 | AMS Consulting     | Democratic National Committee Non-Federal Corporate      | N/A      | \$4,799            |
| <b>TOTAL</b> |          |                    |  |          | <b>\$21,099.00</b> |

By aiding and abetting the making of 30 contributions on behalf of Mattel, without disclosing the true source of the contributions, Respondent Schwartz committed 30 violations of Section 84302.

### CONCLUSION

This matter consists of 30 violations, with a maximum administrative penalty of two-thousand dollars (\$2,000) per count, for a total penalty of sixty-thousand dollars (\$60,000). Campaign money laundering is one of the most serious violations of the Act, as it denies the public of information about the true source of a candidate's financial support. Therefore, the typical administrative penalty in a laundering case has historically been at or near the maximum penalty of \$2,000 per violation.

In aggravation, Fermin Cuza and Respondent Schwartz intentionally sought to conceal the contributions made on Mattel's behalf. In further aggravation, several of the contributions violated local and state contribution limits. As Respondent aided and abetted in deliberately concealing the true source of the contributions that are the subject of Counts 1 through 30, imposition of a penalty at or near the maximum penalty is appropriate.

This stipulation is part of a global settlement reached in cooperation with the Enforcement Division of the Los Angeles City Ethics Commission. As part of the settlement, Respondent has agreed to pay a penalty of sixty-six thousand dollars (\$66,000) to the City of Los Angeles for violating local contribution limits, and has agreed to cooperate with the investigation and prosecution of other persons involved in the unlawful contribution activity.

Accordingly, the facts of this case justify a penalty in the amount of fifty-eight thousand dollars (\$58,000).